REIMBURSING NONPROFITS NEED 100% RELIEF OF PANDEMIC UNEMPLOYMENT CHARGES

The COVID-19 pandemic has created stresses throughout the national unemployment system. One of the most pressing issues is the cost of the pandemic on a group of nonprofit employers called "reimbursers," which reimburse their state governments immediately for all benefits collected by their separated employees. The 2020 CARES Act provides 50% assistance for their unemployment costs, but it has become clear that these employers' missions are being jeopardized without additional help. **Reimbursing nonprofits need 100% federal assistance for their pandemic-related unemployment expenses, retroactive to March 2020.**

In most states, taxpaying employers have had their pandemic-related unemployment charges deferred or completely relieved, while reimbursing employers have faced mounting bills throughout the pandemic. This chart shows the current inequities:

Taxpaying Nonprofits	Reimbursing Nonprofits
Received 100% relief from COVID-related claims in many states.	Received 50% assistance from the federal government. A small number of states have provided additional assistance.
The cost of pandemic-related unemployment costs will be spread across future years via higher taxes.	Have paid pandemic-related unemployment charges up front. Some reimbursers have paid 100% of their charges despite the promise of 50% assistance from the CARES Act. Many are still waiting for refunds.
May never pay increased taxes due to COVID if the state uses federal relief money to fill its unemployment trust fund.	Receive no benefit if the state uses federal relief money to refill its unemployment trust fund.
Do not have to pay for unemployment claims made by employees who quit to work for another employer.	Have had to pay for unemployment claims made by former employees who quit to work for a different employer before COVID-19.
Do not have to pay for benefits paid fraudulently or erroneously.	In many states, reimbursers are required to pay for erroneous benefit payments unless the government manages to recover the money that was paid (which seldom happens). Some of these states are using the same principle to charge reimbursers for fraudulent claims.
Are unaffected by chaotic conditions in state unemployment departments created by the pandemic.	Reimbursers have had to endure a barrage of erroneous bills and lack of communication. At times, there is no way to check whether unemployment claims bills have been properly assessed or whether CARES Act credits have been applied. Some states have not issued bills since March 2020, leaving reimbursers in those states with no idea how much claims liability to prepare for.
Are not in danger of being forced out of business by the cost of unemployment charges.	Some reimbursers have gone out of business. Many more are struggling in their weakest financial condition in years.

WHAT DO THESE DIFFERENCES MEAN IN PRACTICE?

Although layoffs are painful for every type of employer, taxpaying employers were able to move on from their pandemic-related separations, because COVID-related layoffs were a clean separation with no lingering financial impact. Furthermore, if the federal government continues to give discretionary funds to states to allow them to refill their unemployment coffers, these employers may **never** see a financial impact.

Reimbursing nonprofits, on the other hand, have had a very different experience. Organizations that survived COVID-related shutdowns have had to carry the burden of not only covering their own costs, but also the unemployment cost of separated workers, which average about 45% of wages. These nonprofits have entered 2021 weakened and some may never recover. No amount of prudent preparation for another recession could have prepared these employers for a situation where they were legally required to lay off most of their staff.

In addition, the chaos created by trying to reorganize state unemployment management systems to provide CARES Act relief for reimbursing employers has become so acute that retroactive 100% relief would be a cost savings not only to the reimbursers, but also to state unemployment departments that are struggling to implement a host of revised rules. For this reason, the National Governors Association has joined with all national nonprofit organizations to call for retroactive relief.

Finally, it is important that relief be retroactive to March 2020, because forward-looking relief will be too late for most of these employers. Furthermore, due to the timing difference between taxpaying employers and reimbursing nonprofits, relief that is retroactive to March 2020 is the **only** form of relief that is equitable to the taxpayer relief provided by federal funds that are used to replenish state unemployment coffers.

Reimbursing nonprofits account for about 75% of the total payroll of the nonprofit sector – a sector that employs one in 10 Americans. Providing 100% assistance for reimbursing employers will prevent them from closing their doors and will benefit state tax systems as they are able to put employees back to work, avoid triggering extended benefits and keep essential services in the community.